

DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Top Secret

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5 Februarv 1968

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Approved For Release 2002/10/22 : CIA-RDP79T00975A010800020001-9

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25X

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CONTENTS

South Vietnam: Situation report. (Page 1)

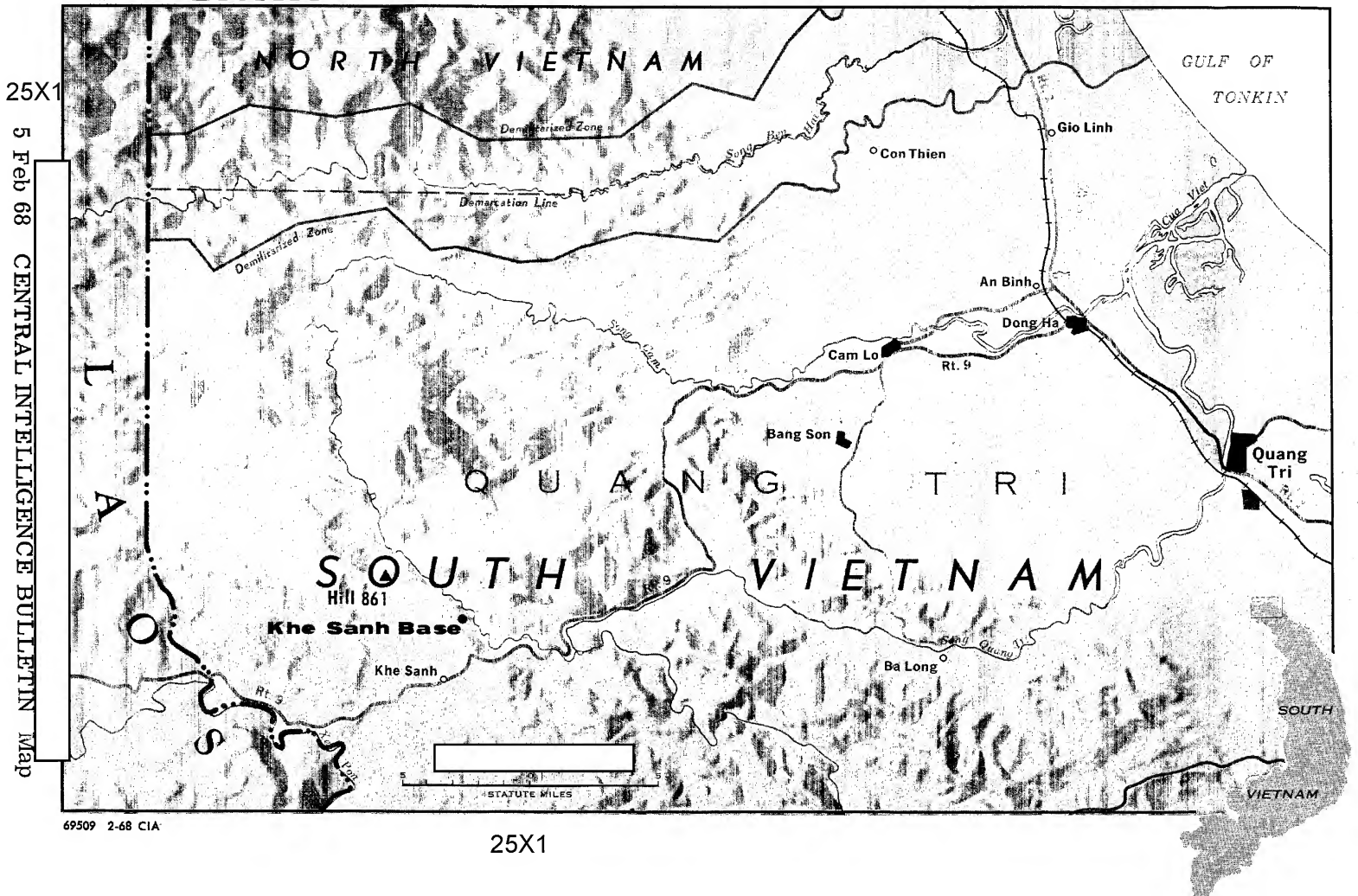
25X1

Thailand: Government troops still encountering strong Communist resistance in north. (Page 4)

Brazil: Military pressing President Costa e Silva to move against oppositionist Lacerda. (Page 5)

Cyprus: New Greek-Turkish discussions may be under way (Page 6)

KHE SANH



*South Vietnam: US Marines in defensive positions on Hill 861 northwest of Khe Sanh beat back a North Vietnamese ground attack before dawn this morning while the main Khe Sanh base came under heavy mortar, artillery and rocket fire.

Seven Americans and 100 North Vietnamese were killed during the four-hour assault on the hill, the first significant ground action in the Khe Sanh sector in more than a week. Another 44 Marines were wounded in the battle.

Meanwhile, allied forces appear to have regained the initiative over the weekend in many of South Vietnam's urban areas. Sharp fighting continues in Hue, however, as well as in sections of Saigon and in several other provincial cities and district towns throughout the country.

There are some indications that the Communists intend to conduct a prolonged offensive against major population centers. In addition to reports of enemy troops deployed on the outskirts of a number of cities, a Viet Cong prisoner [redacted] claimed that the current "general insurrection campaign" would extend for the duration of the winter-spring offensive. A broadcast from the Communists' clandestine Liberation Radio this morning said that the Viet Cong would continue their present drive until "final victory."

In another broadcast the Communists threatened reprisals against US personnel in Viet Cong hands if Communist soldiers captured in the recent fighting are brought to trial or executed.

The Saigon government has begun to organize itself to cope with the immediate and longer range civil problems arising from the Communist Tet offensive.

President Thieu held a series of weekend meetings with top South Vietnamese military and civilian officials and with senior US officials and agreed to the formation

5 Feb 68

1

of an emergency joint task force. Headed by Vice President Ky, this group will be concerned with determining priority needs throughout the country, the movement of food supplies and other essential relief activities, and the strengthening of information and psychological warfare services. In an official release yesterday, Thieu announced the creation of a central coordinating center in Saigon, under Ky, and promised that the army would assist war victims.

The government is also moving to mobilize support for its own actions in the crisis and to elicit denunciations of the Communists from influential civilian circles. It has received public statements of support from National Assembly officials, the Upper House defense committee, and a group speaking for the entire lower house. The Vietnamese Confederation of Labor and its Saigon council have issued similar pledges, and union leaders as well as the moderate Buddhists have begun to organize emergency relief centers for the needy in Saigon.

25X1 [redacted] Despite these pledges, there is widespread criticism [redacted] among some assemblymen and union leaders over the government's performance to date. Much of the criticism is directed at Prime Minister Loc for taking little initiative within his own cabinet or among private groups willing to help.

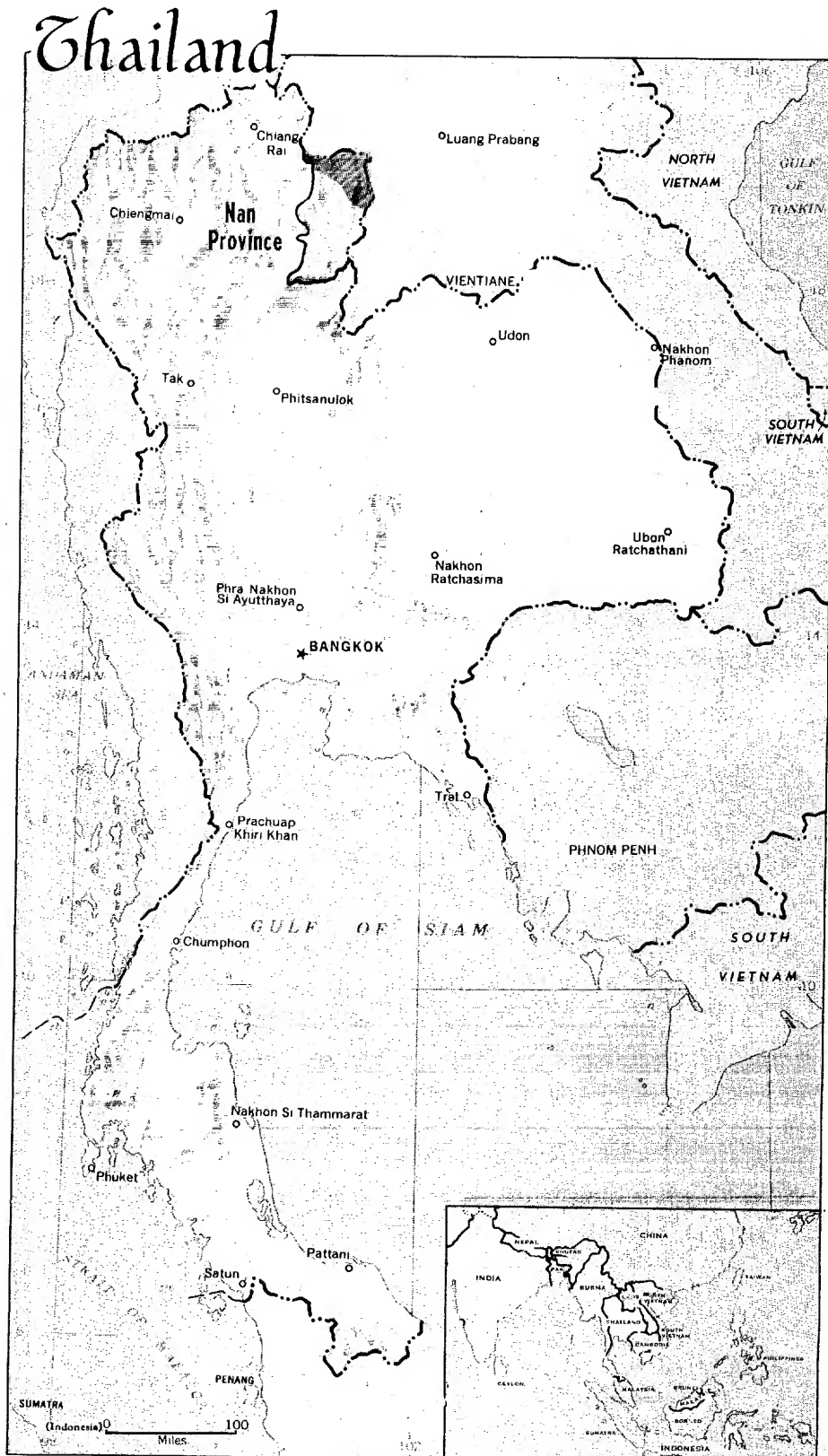
Militant Buddhist leader Tri Quang, described as particularly bitter over the military attack on his pagoda where Viet Cong entrenched themselves during the fighting, has refused to denounce the Viet Cong, but an aide states that he is willing to organize welfare centers as a tacit "gesture" of cooperation. [redacted]

25X1 [redacted] (Map)

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Thailand: Government troops continue to encounter strong Communist resistance in northern Nan Province.

Two new clashes have recently been reported and the estimated 200 Communist-led tribesmen in the area are displaying considerable tactical skill and discipline in evading and harassing government forces. The government's 3,000-man police and army force has now suffered more than 80 casualties during the two-month-old operation, the heaviest government losses sustained thus far in operations against the insurgents.

The Thai Communist Party has been working with the northern tribal people for several years and has managed to extend its influence over a number of villages. Several hundred Thai tribesmen have received military training in Laos and North Vietnam, and they appear to be getting important support from Communist elements across the border in Laos. In addition, Thai officials claim they have identified two recently killed insurgents as Vietnamese, and have picked up two Communist-manufactured weapons. If true, this would be the first hard evidence that the insurgents are receiving such outside support.

Bangkok appears to be overreacting to the threat in Nan Province. Villagers in the area of government operations have been moved into refugee encampments and air strikes are being made against abandoned villages in an effort to destroy crops and food-stuffs that might fall into insurgent hands. Such heavy-handed treatment will almost certainly further alienate the tribal people. It reflects Bangkok's unwillingness to recognize that its own tribal policies have been largely responsible for creating a situation ripe for Communist exploitation.

Brazil: Military pressure is building up on the Costa e Silva government to move against Carlos Lacerda.

Army officers believe that Lacerda is about to unleash another series of violent newspaper attacks on high military figures in the government--including Transportation Minister Andreazza and Interior Minister Albuquerque Lima. Although some military men still favor the government's policy of ignoring Lacerda, [REDACTED]

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[REDACTED] it is the army's consensus that Lacerda should be prosecuted under provisions of the new national security law. Some "hotheads" believe that Lacerda would not be convicted under the law and reportedly are threatening to assassinate him if he defames military leaders.

Tempers are running high over this issue and extremist acts are possible. In 1954, an attempt to assassinate Lacerda by henchmen of then-president Vargas quickly resulted in the government's downfall. Another attempt--even if it failed--would be widely viewed as a sign of government weakness and could erode military support for Costa e Silva. [REDACTED]

25X

5 Feb 68

5

NOTE


Cyprus: New Greek-Turkish discussions of the Cyprus problem may be under way. Turkish newspapers report that Turkish Foreign Ministry officials are somewhere in Europe and speculate that they may be engaged in secret talks with their Greek counterparts. Whether Athens and Ankara are talking or not, these reports will probably draw the fire of Cypriot President Makarios who has long done his best to sabotage any bilateral efforts between the two countries to arrive at a solution.

25X

5 Feb 68

6

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